

SECOND SET OF INFORMATION REQUESTS OF THE  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY  
TO  
BOSTON GAS COMPANY

D.T.E. 05-66

Respondent: Joseph F. Bodanza

Information Request DTE 2-2

- Q. Please explain why the Company amortized the difference between the targeted amount of (\$5.157 million) and the amount recorded from November 2003 to February 2004 period (\$4.198 million) over the eight-month period March 2004 through October 2004, but not for the months November 2003 to February 2004.
- A. Following the issuance of the Department's decision in D.T.E. 03-40, the Company continued to record gas-cost related bad-debt based on actual experience because, barring a substantial variation from the historical level of gas-costs writeoffs, this approach would have resulted in recoveries on a level with that approved by the Department in D.T.E. 03-40. Ultimately, any over- or under-recovery of the Department's capped amount due to volatility or changes in projected customer consumption would be addressed in the annual reconciliation process. The Company would have followed through with this process had the Company not experienced a large, sustained increase in the cost of gas following the implementation of the Department's order.

By February 2004, however, the Company recognized that the substantial increase in gas costs (and associated writeoffs) was causing the collected amount to deviate substantially from the amount calculated by the Department (\$5.157 million). Therefore, the Company was required to subtract the amount recovered from November 2003 through February 2004 (\$4.198 million) from the 2003-04 annual cap (\$5.157 million) and amortize the difference (\$960,000) over the remaining eight-month period of March 2004 through October 2004 in order to ensure adherence to the cap established by the Department in D.T.E. 03-40. This amortization resulted in a monthly booked amount of \$119,916 for the months of March through December 2004.